

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

USIA-15 PRS-01 SP-02 AID-05 COME-00 EB-07 FRB-01

TRSE-00 XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 INT-05 /099 W

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R 080738Z JUL 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9118

INFO AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 8207

EO 11652: N/A

TAGS: EIND EFIN ID JA

SUBJ: GOI ANNOUNCES SIGNATURE OF ASAHAN AGREEMENT IN TOKYO

REF: TOKYO 8099 AND PREVIOUS

1. SUMMARY: THERE FOLLOWS AYNOPSIS OF PRESS ACCOUNTS  
GOI ANNOUNCEMENT CONCLUSION OF ASAHAN AGREEMENT.

2. DR J B SUMARLIN, MINISTER OF STATE FOR ADMINISTRA-  
TIVE REFORM AND DEPUTY MINISTER OF STATE OF "EKUIN"(ECONOMIC,  
FINANCIAL, AND INDUSTRIAL AFFAIRS), ANNOUNCED IN JAKARTA  
MONDAY 7 JULY CONCLUSION OF FORMAL AGREEMENT TO GOVERN  
DEVELOPMENT OF ASAHAN HYDROPOWERED ALUMINUM SMELTING PROJECT  
IN NORTHERN SUMATRA. AGREEMENT WAS SIGNED IN TOKYO, HE SAID,  
BY IR SUHUD, DEPUTY CHAIRMAN OF INVESTMENT BOARD AND  
CHIEF INDONESIAN NEGOTIATOR FOR THE GOI, AND BY  
REPRESENTATIVES OF THE FIVE JAPANESE FIRMS. PRESENT AT THE  
CEREMONY WERE PROFESSOR WIDJOJO, INDONESIAN MINISTER OF  
STATE FOR EKUIN, WITH OTHER GOI OFFICIALS, AND ON THE  
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JAPANESE SIDE MITI MINISTER AND OTHER OFFICIALS, PLUS

LONG ROSTER OF SENIOR JAPANESE COMPANY OFFICIALS.

3. SUMARLIN STATED CONSTRUCTION COSTS WOULD APPROXIMATE 250 BILLION YEN (US\$870 MILLION), 70 PERCENT DEBT AND 30 PERCENT EQUITY, GOI HOLDING 25 PERCENT OF LATTER. HE SAID JAPAN'S OECF (OVERSEAS ECONOMIC COOPERATION FUND), EXPORT-IMPORT BANK, JICA (JAPAN INTERNATIONAL COOPERATION AGENCY) AND , TO A SMALL EXTENT, JAPANESE COMMERCIAL BANKS WOULD SHARE IN THE FINANCING,WHICH ALREADY ARRANGED. IMPLEMENTATION WILL BE IN HANDS OF CONSORTIUM FORMED BY FIVE JAPANESE COMPANIES: SUMITOMO CHEMICAL, NIPPON LIGHT METAL, SHOWA DENKO, MITSUBISHI CHEMICAL, AND MITSUI ALUMINUM TOGETHER WITH INDONESIAN GOVERNMENT.

4. SUMARLIN DESCRIBED THREE-PART PROJECT IN TWO PHASES: SMELTER WITH CAPACITY OF 225,000 TONS METAL ANNUALLY, COSTED AT 135 BILLION YEN (US\$498 MILLION); HYDROELECTRIC PLANT WITH INSTALLED CAPACITY 600MW, OF WHICH 550MW FOR THE SMELTER AND 50 FOR PUBLIC USE, COSTED AT 80 BILLION YEN (US\$280 MILLION); INFRASTRUCTURE INCLUDING PORT, ROAD AND URBAN FACILITIES COSTED AT 27 BILLION YEN (US\$92MILLION). PORT IN QUESTION TO ACCOMODATE VESSELS OF 5000-7000 DWT, PLUS SEPARATE FACILITY ABLE RECEIVE GENERAL CARGO VESSELS UP TO 3000 DWT. FIRST STAGE DEVELOPMENT TO BE IN PRODUCTION BY END OF 1981; SECOND STAGE BY END OF 1983.

5. SUMARLIN CITED LABOR FORCE REQUIREMENT OF 6000 IN CONSTRUCTION PHASE, POSSIBLY UP TO "10,000 LATER ON" (POSSIBLY REFERRING TO SECOND PHASE CONSTRUCTION WORK-FORCE, SINCE OPERATING WORKFORCE WOULD PROBABLY BE SMALLER).

6. COMMENT: SIGNATURE OF AGREEMENT PROVIDED GOOD NEWS ON OCCASION OF PRESIDENT SUHARTO'S VISIT TO JAPAN. PRESS PREDICTED CONCLUSION OF THE AGREEMENT BEFORE THE ANNOUNCEMENT, SUMARLIN'S STATEMENT WIDELY CARRIED, WITH FAVORABLE EDITORIALS IN SEVERAL DAILIES.  
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## Message Attributes

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